

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 EUR-12 SSO-00 NSCE-00 USIE-00

INRE-00 AGRE-00 CIAE-00 COME-00 INR-07 LAB-04

NSAE-00 SP-02 STR-04 TRSE-00 FRB-03 OMB-01 SS-15

NSC-05 L-03 /078 W

-----271102Z 010056 /22

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FM USMISSION GENEVA

TO AMEMBASSY BUCHAREST IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 6857

C O N F I D E N T I A L GENEVA 3118

DEPT PASS COMMERCE, LABOR, TREASURY & STR FROM SMITH

E.O. 11652: GDS

TAGS: ETRD, RO

SUBJECT: TEXTILES: USG/GOR TEXTILE NEGOTIATIONS

REF: BUCHAREST 2867

1. U.S. AND GOR TEXTILE NEGOTIATORS NEARLY BUT NOT COMPLETELY REACHED AGREEMENT ON FOUR-YEAR MAN-MADE FIBER (MMF) AND WOOL BILATERAL. REMAINING DIFFERENCES (ON LEVEL AND TYPE OF AP-PAREL AGGREGATE AND CATEGORY 221 - SWEATERS) ARE SIGNIFICANT DESPITE EARNEST EFFORTS OF NEGOTIATORS IN SESSION LASTING UNTIL 0415 HOURS APRIL 27 TO BRIDGE GAP.

2. GOR AND USG HAVE STIPULATED THAT FOLLOWING IS TO BE CONSIDERED AS QUOTE INITIALLED QUOTE:

A. FOUR-YEAR TERM BEGINNING JANUARY 1, 1977

B. FABRIC AND MADE-UPS GROUP LIMIT AS DESIGNATED CONSULTATION LEVEL (DCL) AT 10 MSYE PER ANNUM

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C. MMF AND WOOL YARN EXCLUDED BUT USG MAINTAINS MFA, INCLUDING ARTICLE 3, RIGHTS

D. SPECIFIC LIMITS ON CATEGORY 218/219/224 PT AT 2.5 MSYE, CATEGORY 237 AT 290,000 UNITS, CATEGORY 120 AT 83,000 UNITS, LAST TWO CONSIDERED AS INITIALLED AD REFERENDUM BY GOR

E. FIRST YEAR ONLY CONSULTATION LEVELS ON CATEGORY 206 AT 2 MSYE, CATEGORY 207 AT 2 MSYE, CATEGORY 208 AT 2 MSYE, CATEGORY 209 AT 4 MSYE, CATEGORY 242 AT 2 MSYE, AND DESIGNATED CONSULTATION LEVELS FOR CATEGORY 224 PT (OTHER) AT 2.5MSYE, CATEGORY 229/224 PT AT 1.5 MSYE, CATEGORY 121 AT 200,000 SYE, AND CATEGORY 122IAT 350,000 SYE.

F. MMF SPECIFIC LIMIT ANNUAL GROWTH OF SEVEN PERCENT, AND SEVEN PERCENT SWING.

G. WOOL SPECIFIC LIMIT ANNUAL GROWTH OF ONE PERCENT AND SWING OF FIVE PERCENT

H. UNLESS OTHERWISE SPECIFIED, STANDARD CONSULTATION LEVELS OF 700,000, 1,000,000 AND 100,000 SYE FOR MMF APPAREL, MMF NON-APPAREL, AND ALL WOOL CATEGORIES RESPECTIVELY

I. STANDARD CARRYOVER AND CARRYFORWARD.

3. REASON FOR DIVERGENCE OF VIEWS ON CATEGORY 221 IS FACT THAT GOR, DESPITE OUR REPEATED WARNINGS OVER PAST YEAR, APPARENTLY HAVE CONTRACTS FOR 12 MSYE FOR 1977 AND IN VIEW GOR CURRENT TRADE IN THAT CATEGORY IS ONLY 4.3 MSYE AND IN VIEW THAT PARTICULAR CATEGORY SUFFERS IN USA FROM NEARLY ONE HUNDRED PERCENT IMPORT PENETRATION TO DOMESTIC PRODUCTION RATIO, USG OVIOUSLY COULD NOT CONFIDENTIAL

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AGREE TO NEARLY THREE HUNDRED PRECENT INCREASE. USG OFFERED ELEVEN PERCENT INCREASE OVER LATEST (DECEMBER) TRADE FIGURES, I.E., TO 5 MSYE. THAT OBVIOUSLY NOT ACCEPTABLE TO GOR, AND YET WE SEE NO WAY THUS FAR THAT THIS HUGE GAP CAN BE BRIDGED. BOTH SIDES HAVE AGREED TO REFLECT FOR SEVERAL DAYS.

4. DIFFERENCE ON APPAREL GROUP LIMIT IS ON BOTH LEVEL AND TYPE. USG OFFERED STANDARD GROUP LEVEL OF 20 MSYE WITH ANNUAL GROWTH, ETC. FOR FINAL OFFER WAS EITHER 30 MSYE STANDARD GROUP OR 20 MSYE DCL GROUP. USG OFFER IS MORE THAN ONE HUNDRED PERCENT ABOVE 1976 TRADE LEVELS AND FIFTY PERCENT ABOVE AGREED UPON SPECIFIC LIMITS AND DCL'S/CL'S. AGAIN, BOTH SIDES HAVE AGREED TO REFLECT FOR SEVERAL DAYS AND COMMUNICATE THROUGH DIPLOMATIC CHANNELS.

5. ARTICLE 3 AND SUIT EMBARGO ON 237 REMAIN IN EFFECT UNTIL AGREEMENT REACHED ON ENTIRE PACKAGE.

6. UNLESS SETTLED BEFOREHAND, GOR WISHES RESUME TALKS IN GENEVA IN MAY IF AND WHEN GATT TEXTILES COMMITTEE MEETS ON MFA.

7. NEGOTIATIONS MOST ARDUOUS BUT VERY CONSIDERABLE PROGRESS MADE. HOWEVER, SWEATER DIFFERENCE IS THE MAJOR OBSTACLE, AND ABILITY OF FURTHER U.S. MOVEMENT SEVERLY CONSTRAINED BY DOMESTIC POLITICAL CONSIDERATIONS TO SAY NOTHING OF I/P RATIO. GOR MUST RPT MUST COME WAY OFF ITS TWELVE MILLION AS THERE IS SIMPLY NO WAY WE SEE ANY QUOTE BRIDGING QUOTE OTHERWISE. GOR NEGOTIATOR RETURNING BUCHAREST TO REVIEW CONTRACT SITUATION AND REVIEW POSITION.

8. BOTH GOR AND USG NEGOTIATORS RESTATED THEIR DETERMINATION COME TO AGREEMENT ASAP, AND NEGOTIATIONS CONFIDENTIAL

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